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SUBJECT: EAST JAVA: SURABAYA-MADURA BRIDGE - COMMUNITIES UNPREPARED
TO TAKE ADVANTAGE OF ANTICIPATED DEVELOPMENT

SURABAYA 00000078 001.2 OF 002

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11. (SBU) Summary: Residents originally opposed plans to build a bridge linking the island of Madura with Indonesia's second largest city Surabaya fearing Madura's unique culture would be destroyed. With the Surabaya-Madura bridge scheduled for completion in late-2008, distrust has given way to anticipation as local leaders envision the revenues, prestige, and influence that will accrue in coordination with business opportunities linked to the bridge's opening. With regency-level elections scheduled for the coming months, election officials and civic leaders lament the amount of money being spent to secure these lucrative positions. While local regents spin elaborate plans for new ports, airports, dams, and power projects, others worry that economic development will bypass communities with limited skills, poor infrastructure, and weak education systems. Bridging the gap between expectations and reality may be a bigger challenge than bridging the straits of Madura. End Summary.

12. (SBU) On November 20-21, Surabaya Principal Officer and Pol/Econ Assistant visited three of four regencies -- Bangkalan, Sampang, Pamekasan -- on Madura, an island of 4 million primarily ethnic Madurese lying less than five kms, or 45 minutes by ferry, from East Java's commercial hub Surabaya. Throughout the visit, local officials, civic leaders, academics, and businessmen speculated on the impact of the Rp 3.6 trillion (USD 400 million) Surabaya-Madura bridge (referred to locally as Suramadu) on Madurese society, politics, and economics. Suramadu, 50% financed by the Chinese government and built by two consortia of Chinese and Indonesian contractors, is scheduled for completion in late-2008, creating the first permanent link between Madura and the Javanese mainland. Initially, local religious and community leaders opposed the bridge on the grounds that Madurese culture and identity would be destroyed. Lured by the promise of much-needed economic development, the local community has now embraced Suramadu, hoping that greatly reduced transportation times/costs will attract industries, businesses, and investment to this impoverished area.

Lacking Infrastructure, Skilled Population

13. (SBU) According to Achmad Syaffi, the Regent of Pamekasan,

Madura is home to three of the 199 most "backward" regencies in Indonesia. An estimated 49% of the population is considered "poor" and 66% are farmers. Economic growth was only 4.2% in 2006, and higher fuel costs and the weakening dollar are expected to slow growth in 2007. Investment is limited by poor infrastructure, a lack of direct links to import/export facilities in Surabaya, and an unskilled population. A November 2007 investors meeting in Pamekasan suggested that investors were interested in power plants and agriculture processing projects. Hazin Mukti, the head of local NGO Research and Development Center of Madura (LP3M), commented separately to us that Pamekasan has the potential to serve as a business center for Madura, as it already hosts the head offices of various banks, the regional tax office, agricultural consolidation facilities, and has a business-friendly bupati. But, he added, Pamekasan is not ideal -- it is "the best among the worst."

Big Plans, Little Planning

14. (SBU) Officials from the Regency of Bangkalan, located closest to East Java, used an elaborate power point presentation to outline the new development opportunities that would follow the opening of the Suramadu bridge. Recognizing that the bridge will terminate in Bangkalan regency, the local government has issued a "perda" (local regulation) announcing plans for five major infrastructure projects: a container terminal; an airport; a dam; a gas power plant; and transportation infrastructure. Although port officials in Surabaya have expressed skepticism about the demand for a new container port on Madura, Bangkalan officials assured us that a feasibility study completed by a Japanese consultant demonstrated the project was technologically and economically feasible. They added that a local investor already holds a permit to begin construction, with a target date of 2015. The proposed airport, they explained, would serve Madurese migrants in Jakarta and Kalimantan and relieve anticipated congestion at Surabaya's Juanda airport. Although officials admitted that human resource capacity and economic

SURABAYA 00000078 002.2 OF 002

demand in the regency to support these projects was currently insufficient, they expressed confidence that the existence of the bridge would mitigate such obstacles.

15. (SBU) Local officials acknowledge, while activists and academics complain, that Madura is ill-prepared to take advantage of the opportunities presented by the bridge. The Pamekasan Regent said his office was focused on development of the education sector in an effort to strengthen local skills and in doing so attract investment. The Bangkalan regency has opened a training center (BLK) to provide vocational skills training. Everyone we met expressed a desire to improve English language training. LP3M provides advocacy to all four regencies on Madura to help strengthen good governance and improve the investment climate. Hazim Mukti noted that Pamekasan has been the most responsive, establishing a team made up of government officials, NGOs, and religious leaders in an effort to strengthen governance.

Limited Coordination

16. (SBU) To date, efforts to coordinate all four regencies' preparations for the bridge's completion have been limited. The Regent of Pamekasan told us that the four regents have asked the East Java provincial government to work with them to develop a clear and integrated development program. The Regents also submitted individual development concepts and recommendations to the central government in Jakarta. The Bangkalan regency said that it was the responsibility of the central and provincial governments to develop not only the bridge but also the surrounding areas. Local officials explained that, following the bridge's completion, the central government will establish a "Suramadu Administrative Agency," an organization that will be responsible for coordinating and developing the area. LP3M commented that decentralization has reduced the coordination

among regencies as well as the coordination between the regencies and the provincial government.

Money Politics

17. (SBU) Given the expectations for economic development and influence associated with the completion of the Suramadu bridge, it is perhaps not surprising that candidates are eagerly anticipating the upcoming regency elections: Sampang December 27, 2007 Bangkalan January 23, 2008; and Pamekasan March 5, 2008. The political process is expensive, with LP3M's Hazin Mukti estimating that a regent candidate needed at least Rp 10 billion (USD 1.1 million) for the campaign, logistics, and "other purposes." Other civic leaders suggested Rp 35 billion (USD 3.5 million) was necessary to run a successful campaign. Both NGOs stressed, however, that the outcome of the first direct elections for regent was hard to predict, as it's no longer easy to "provoke" the people. The Chairman of the Sampang Election Commission KPU noted that political parties may play a weaker role in this election, observing that the candidate supported by a small political party won the election in the Banyuwangi regency in East Java.

MCCLELLAND